



GOVERNOR
Edmund G. Brown Jr.

January 10, 2014

To the Members of the Senate and the Assembly of the California Legislature:

With a decade of intractable deficits behind us, California is poised to take advantage of the recovering economy and the tens of thousands of jobs now being created each month. Each of you can be rightfully proud of the role you played in helping to make this happen. In 2012, of course, the voters completed our task by approving Proposition 30 and its seven years of increased tax revenues.

The 2014-15 Budget continues our investment in schools by providing \$10 billion this year alone to give California students a much better chance to succeed. The Budget also provides new money for our colleges and universities with a focus on getting students their degrees in a timely manner. It also funds the expansion of health care coverage to millions of Californians and avoids the early release of serious and violent offenders, while taking important steps to reduce future crime.

Given the vagaries of the business cycle, and particularly the volatility of capital gains income, we must be ever vigilant in the commitment of public funds. In addition, past budgetary borrowing, unfunded retirement obligations, bond costs, and deferred maintenance have created a mountain of long-term liabilities that totals hundreds of billions of dollars. In the face of such liabilities, our current budget surplus is rather modest. That is why wisdom and prudence should be the order of the day.

With respect,

/s/ Edmund G. Brown Jr.

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